

VZCZCXRO3212

RR RUEHAO RUEHCD RUEHGA RUEHGD RUEHGR RUEHHA RUEHHO RUEHMC RUEHNG  
RUEHNL RUEHQU RUEHRD RUEHRG RUEHRS RUEHTM RUEHVC  
DE RUEHPE #0150/01 0281950  
ZNR UUUUU ZZH  
R 281950Z JAN 08  
FM AMEMBASSY LIMA  
TO RUEHSG/AMEMBASSY SANTIAGO 1699  
RUEHME/AMEMBASSY MEXICO 3604  
RUEHUL/AMEMBASSY SEOUL 0557  
RUEHKO/AMEMBASSY TOKYO 2649  
RUEHGP/AMEMBASSY SINGAPORE 0206  
RUEHOT/AMEMBASSY OTTAWA 3135  
RUEHBJ/AMEMBASSY BEIJING 0408  
RUEHC/SECSTATE WASHDC 7745  
INFO RUEHWH/WESTERN HEMISPHERIC AFFAIRS DIPL POSTS  
RUCPDO/DEPT OF COMMERCE WASHINGTON DC  
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC  
RUEHC/DEPT OF INTERIOR WASHINGTON DC  
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 LIMA 000150

SIPDIS

SIPDIS

SENSITIVE

COMMERCE FOR 4331/MAC/WH/MCAMERON  
TREASURY FOR MMALLOY  
USTR FOR BHARMAN AND MCARRILLO

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [EFIN](#) [USTR](#) [CA](#) [CH](#) [CI](#) [EU](#) [PE](#)

SUBJECT: PERU SIGNS FTA WITH CANADA AND MOVES FORWARD ON OTHER FREE  
TRADE AGREEMENTS

#### SUMMARY

1. (SBU) With the U.S.- Peru Free Trade Agreement, approved by the U.S. Congress last month, in its implementation phase, the Government of Peru (GOP) has closed its agreement with Canada, and is actively negotiating a tariff-only deal with China. The GOP is also looking to conclude agreements with Singapore and Mexico. On one front the GOP appears to be gaining momentum on concluding free trade agreements with numerous partner countries; however, the picture is not as rosy with regard to negotiations with the European Union, where the GOP has questioned whether it should continue to negotiate alongside Bolivia and Ecuador, or instead seek a bilateral agreement. While Peru and Chile signed a trade agreement in 1998 (updated in 2006), the Chilean government announced last week that it would wait to submit the agreement to its senate. Peruvian observers say that the delay is politically motivated and related to Chile's pique over the maritime border dispute.  
END SUMMARY.

#### CANADA - SIGNED AND PREPARED FOR IMPLEMENTATION

2. (SBU) This weekend in Davos, Switzerland, on the margins of the World Economic Summit, Peru and Canada signed their free trade agreement. The negotiation process started July 16, 2007, with the fourth and last negotiation round held in November. Peru plans for the implementation stage to correspond with that of the U.S.-Peru Trade Promotion Agreement so both agreements may enter into force simultaneously.

3. (U) The Canadian-Peru trade agreement is very similar to the U.S.-PTPA. Unlike Canada's agreement with Chile, the Peru agreement includes provisions on intellectual property rights. The agreement also addresses biodiversity issues in the environment chapter, protection for consumers and safety of electronic commerce, and strong measures for sanitary and phytosanitary protections. Canadian

government sources say the agreement would Qer into force when the U.S. agreement enters into force.

#### CHINA - AGREEMENT AS APEC DELIVERABLE

14. (U) Negotiations on a limited tariff agreement with China advanced this week with the first round of talks being held in Lima. The next round will be held in Beijing on March 3, 2008. The GOP hopes to conclude four or five negotiation rounds prior to November with plans for the agreement to be signed at the Lima APEC Leaders Summit. China is Peru's second largest commercial partner. Peruvian exports to China also grew thirty percent from 2006 to 2007.

15. (SBU) Unlike the PTPA, the Peru-China trade agreement, is largely a tariff-only agreement, establishing a list of products which will be excluded from the agreement, such as some textiles and shoes. The agreement will include safeguards to protect the Peruvian market from a massive influx of imports. Peru's minister of Foreign Trade and Tourism, Mercedes Aroz sees China's principal interest in Peruvian minerals and fishmeal products, with a growing interest in Peru's agricultural exports. Peru continues to be interested in Chinese electronic goods and equipment.

16. (SBU) The Association of Peruvian Exporters (ADEX) provided the Embassy with a summary and critique of the first round of negotiations held from January 20-23 in Lima. The themes covered during the first negotiations included market access, rules of origin, commercial technical obstacles, dispute settlement, customs processes, commercial defenses, sanitary and phytosanitary measures, services, investment, and intellectual property rights. On each topic, Peru and China submitted their proposals with plans for further evaluation at the next round of talks. On commercial technical obstacles, an agreement was made to create an English-language website which will provide a central location for

LIMA 00000150 002 OF 002

information on regulations and evaluation criteria. On dispute settlement, China proposed that all chapters in the agreement be covered. Initially, China did not agree to include a chapter on customs procedures in the agreement, but are now discussing convening a special committee to address the issue. On sanitary and phytosanitary measures, China is in agreement with the proposal offered by Peru.

#### PERU AND THE EU - WITH THE ANDEANS OR ALONE?

17. (SBU) While the Andean Community (CAN) finally reached a modus vivendi with the EU late last year by agreeing to negotiate an association agreement on two tracks, President Garcia questioned again whether Peru would be better off negotiating a trade deal bilaterally with the EU. Under the two-track system, Colombia and Peru would advance quickly, while Ecuador and Bolivia would move at their own pace. During Garcia's January 14-15 trip to Spain, he told a Spanish business audience that Peru and Colombia should not be punished because they are more committed to free trade than their neighbors Bolivia and Ecuador. Foreign Trade Minister Araoz suggested the President was expressing the government's frustration with these neighbors, but said the government was still committed to the Andean Community for now.

#### CHILEANS POSTPONE FTA VOTE IN PIQUE

18. (SBU) In an event unrelated to trade policy, the Chilean government announced yesterday that it would no longer submit the Chile-Peru FTA to a vote in the Chilean Senate on a special approval (fast-track equivalent) procedure during the Congressional recess. Instead, the bill would be submitted when the Congress returns in March. Chilean Embassy contacts told us the reasons for this move were largely technical, but Peruvian observers speculate it was intended as a political gesture to indicate Chile's displeasure at Peru's having initiated a legal process at the International Court of Justice in The Hague to resolve the bilateral maritime border dispute. (SEPTEL TO FOLLOW).

#### CONCLUSION

19. (SBU) The Government of Peru sees free trade agreements as a means for sustained economic growth and reduction of poverty. In addition to concluding negotiations with Canada, Singapore, and Mexico, and beginning negotiations with China and South Korea, Peru has approached Japan to explore opportunities for a trade agreement. Trade agreements are just part of that outreach effort. Hosting APEC will also provide Peru with worldwide visibility, as will the May 2008 European-Union - Latin America and Caribbean (EU - LAC) Summit. Both trade agreements and summits in 2008 will enable Peru to position itself to become an active partner in worldwide economic relationships in the years to come.

NEALON